

EXHIBIT 46

RWJF Grantee Resources

Indirect Cost Rate Policy

Indirect Cost Rates

Indirect costs are general overhead and administrative expenses that support the entire operations of a grantee. While they might not be directly attributable to a project or program, these are real and necessary costs to operate as an organization.

The rates below are the indirect cost rates allowed under this policy and may be applied to the direct costs of the project or program the Foundation is supporting.

Indirect Cost Rate	Grantee Organization Type
15%	U.S. colleges/universities and hospital or health systems [see footnote ¹]
30%	Nonprofit organizations [see footnote ²]
0%	For-profit organizations and government entities [see footnote ³]

If consultants/contractors costs (i.e., sub-contracts or sub-grants⁴) constitute more than one-third of the total direct costs of the project or program, the allowable indirect cost rate on those third-party costs is limited to 5 percent. See FAQ #6.

Note that this policy does not require grantees to substantiate their indirect cost rate. Grantees may simply charge the flat rate that applies to their organization type (i.e., 15% or 30%) even if their actual rate is lower.

Definitions

The spirit of this policy is to consider direct costs to be expenses that are directly attributable to project or program outcomes and deliverables, shared costs to be expenses that can be allocated across projects or programs, and indirect costs to be expenses associated with the general running of the applicant organization. Greater specificity on each category is provided below.

Direct Costs

Direct costs are expenses directly incurred for the specific project or program being funded. Examples include salaries and benefits for staff assigned to work on the project or program, travel expenses, materials, and consultants/contractors required to execute the funded project. They are expenses that would not be incurred if the project or program did not exist.

Shared costs

Shared costs benefit multiple programs or projects and can be assigned or allocated across programs or projects in a reasonably consistent and accurate way. These costs are just as integral to the delivery of the project or program as direct costs and should be included as part of direct costs in the project budget. Examples of such costs include the cost of project space^[5] occupied by the program or project staff (occupancy, utilities, telephone/internet access), the actual costs of additional space needed for the project or program, computing services for project or program staff, grants management or administrative staff, and other administrative costs that are incrementally incurred to directly support the project or program. To support the designation and inclusion of shared costs, the grantee should be able to demonstrate a reasonable allocation method applied consistently across all of its projects and programs.

Indirect Costs

Indirect costs are general overhead and administration expenses that support the entire operations of a grantee. While these costs may not be directly attributable to a project or program, they are real and necessary to operate as an organization. Examples are administrative costs such as human resources, finance, accounting, information technology, and legal, including salaries, benefits, and facilities expenses (e.g., rent, utilities, supplies, and equipment).

For purposes of this policy, the indirect costs proposed in the grant budget is calculated as the sum of the budget for personnel, other direct costs, and consultants/contractors (i.e., direct costs) times the Foundation's indirect cost rate for the grantee's organization type (i.e., 0%, 15%, or 30%). Our indirect cost rate is inclusive of the total grant amount. See FAQ #6 below and Attachment 2.

FAQs

1. When will this policy take effect?

The policy applies to new grant proposals submitted to the Foundation on or after January 1, 2024. For proposals submitted in response to a competitive solicitation, you should use the indirect cost rate guidance contained in the call or request for proposal (CFP/RFP) and related application materials.

You may adjust the indirect cost rate on any active awards or for proposals submitted prior to January 1, 2024, provided doing so does not increase the total grant amount or impact your ability to complete the project or program. This would be accomplished by sending an email to your program officer (PO) and program financial analyst (PFA) informing them of this reallocation to include 1) where the funds will come from to cover the additional indirect costs; 2) confirm that this will not increase the total grant amount; and 3) confirm that it will not impact the ability to complete the project or program.

If an adjustment is requested for a pending proposal, contact your program officer or program financial analyst to discuss next steps.

2. Are sub-grants or contracts within a grant eligible to take indirect costs as part of their sub-grant or sub-contract budget?

The maximum indirect cost rates apply to both the primary applicant organization and any sub-grantee or sub-contractor costs up to the rate applicable to their organization type. For example: if a U.S. university is the primary grantee and has a U.S.-based nonprofit organization as a sub-grantee, the U.S. university is eligible to receive a 15 percent indirect cost rate, while the U.S.-based nonprofit organization is eligible to receive a 30 percent rate. Similarly, if a U.S. nonprofit organization is the primary grantee and a for-profit organization is a subcontractor, the U.S. nonprofit organization may receive a 30 percent indirect cost rate, while the for-profit subcontractor may not apply indirect costs (0%). See related FAQ #6 for additional information.

3. What rate applies to fiscal sponsors of a program or project?

If the grantee is a fiscal sponsor of a project or program, the grant budget should include the fiscal sponsor fee outlined in the fiscal sponsorship agreement that is between the fiscal sponsor and sponsored program or project as part of indirect costs. To the extent that the sponsored project or program incurs indirect costs above what is covered by the fiscal sponsor fee, the grant may include indirect costs up to the indirect cost rate for the organization type. The sum of the fiscal sponsor and additional indirect costs (if any) cannot exceed the indirect rate for the organization type. The indirect cost rate should not be applied to the fiscal sponsor fee.

4. Will the Foundation match my institution's Negotiated Indirect Cost Rate Agreement (NICRA) rate with the U.S. government or other funding organizations?

As a private foundation, we are not obligated to match the overhead rate a grantee may have negotiated with the federal government.

5. Why do colleges/universities and hospital and health systems receive a lower rate than other nonprofits?

Because colleges/universities and hospital and health systems receive income from other sources, the Foundation applies a lower

indirect cost rate to these organizations. We recognize that this may not be the case for all such institutions and would like to learn from you. Please contact your RWJF program officer or program financial analyst with concerns, information, or suggestions.

6. Why does the Foundation reduce the indirect cost rate to 5 percent on third-party consulting, granting, and contracting costs if they represent more than one-third of the direct costs of the project?

Sub-grantees and contractors may apply the maximum indirect cost rate applicable to their organization type in their project budget. The Foundation believes a 5 percent rate will cover the grantees' administrative costs of managing sub-grants and consultants or contracts. If this is not the case for your award, we would like to hear from you. Please contact your RWJF program officer or program financial analyst with concerns, information, or suggestions.

7. How should shared costs be calculated and where should they be included in the grant budget?

Shared costs should be included in the grant budget under the direct costs category. The costs of shared resources should be allocated across activities based on an estimate of the utilization of resources by the project or program. Often, shared costs are allocated based on staff level of effort (measured by full-time equivalents). For project space, costs typically are allocated based on the amount of space project or program staff occupy (measured by square-footage). To support the designation and inclusion of shared costs, the grantee should be able to demonstrate a reasonable allocation method that is applied consistently across programs.

8. I don't know the indirect cost rate for my organization. How can I calculate it?

As part of the work of the Funders for Real Cost, Real Change Collaborative, BDO-FMA developed a set of resources that can guide U.S.-based grantees to calculate their IDC rates. Additional resources and tools about indirect costs are available on the [FRC website](https://www.rwjf.org/content/granteeresources/legal-and-policy/Indirect_Cost_Rate.html).

Attachment 1: Categorization of Typical Costs

Cost Category	Direct Cost	Indirect Cost	Notes
Personnel (salary, benefits) of staff working directly on the project or program	X		
Personnel (salary, benefits) of management and administrative staff (e.g., CEO, CFO, ED, accounting, HR, IT, development/fundraising)		X	
Consultants/contractors working directly on the project	X		
Consultant/contractors supporting the overall organization (e.g., legal, audit, HR, IT, fundraising)		X	
Sub-grants [4]	X		
Project space and related costs (utilities, phone, internet) incurred for staff working directly on the project or program		X	
Project space and related costs (utilities, phone, internet) incurred for management and administrative staff		X	
Project supplies or materials	X		
Insurance, bank fees, interest expense		X	

Staff training and professional development		X	If project staff members require project-specific training, those costs may be considered direct costs.
Fiscal sponsor fees		X	Projects or programs that are fiscally sponsored should cover the fiscal sponsor fee from the indirect cost portion of the grant. If the indirect cost rate of the sponsored project or program exceeds the sponsorship fee, the grant may include additional indirect costs up to the maximum indirect cost rate. Both the fiscal sponsor fee and indirect costs percentages should be described in the grant budget narrative.

Attachment 2: Budget Examples

Example A: A U.S.-based nonprofit is awarded a grant from RWJF. Grantee staff time spent on a project grant includes a project director, 50 percent; two research associates, 100 percent; and the executive director, 10 percent. The project grant also includes direct

travel, meeting, survey, and contract expenses from a for-profit consultant. The project staff use space in the grantee's offices and share in its utilities and telephone/internet services. The grantee has a standard methodology for allocating these shared costs to the project based on the number of project staff working on the grant as a percentage of the total staff in the grantee's offices. In this example, indirect costs of 30 percent are applied to the sum of personnel, other direct costs, and consultants/contractors expenses. Consultants/contractors costs of \$75,000 are less than one-third of the sum of personnel, other direct costs and consultants/contractors ($C \div D = 21\%$).

Project Budget		
Budget Category	Budget Amount	
Personnel		
Project Director (Executive Director - 10% & Project Director 50%)	65,000	
Project Staff (Researchers 2 at 100%)	100,000	
Total Salaries	165,000	
Fringe Benefits at 35%	57,750	
Total Personnel	222,750	A
Other Direct Costs		
Travel	10,000	
Meetings	10,000	
Surveys	10,000	
Project Space (rent, utilities, etc.)	25,000	
Total Other Direct Costs	55,000	B
Consultants/Contractors	75,000	C
Total Direct Costs (A+B+C=D)	352,750	D
Total Indirect Costs	105,825	
<i>Indirect Costs = ((A+B+C)*.30)</i>		

Total Project Budget	458,575	
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Example B: Same facts as Example A, except consultants/contractors expenses exceed one-third of the sum of personnel, other direct costs and consultants/contractors ($C \div D = 35\%$). Indirect costs are calculated as 30 percent of personnel and other direct costs and 5 percent of the consultants/contractors.

Project Budget		
Budget Category	Budget Amount	
Total Personnel	222,750	A
Total Other Direct Costs	55,000	B
Consultants/Contractors	150,000	C
Total Direct Costs (A+B+C=D)	427,750	D
Total Indirect Costs	90,825	
<i>Indirect Costs = ((A+B)*.30)+(C*.05)</i>		
Total Project Budget	518,575	

Example C: Same facts as Example A, except the grantee is a U.S.-based university. In this case, indirect costs are calculated as 15 percent of the sum of personnel, other direct costs, and consultants/contractors. Consultants/contractors costs are less than one-third of the sum of personnel, other direct costs, and consultants/contractors. If they were greater than one-third, the indirect costs permitted on that line item would be limited to 5 percent as shown in example B.

Project Budget		
Budget Category	Budget Amount	
Total Personnel	222,750	A

Total Other Direct Costs	55,000	B	
Consultants/Contractors	75,000	C	
Total Direct Costs (A+B+C=D)	352,750	D	
Total Indirect Costs	52,913		
<i>Indirect Costs = ((A+B+C)*.15)</i>			
Total Project Budget	405,663		

Example D: Same facts as Example A, except the grantee is a fiscal sponsor of the project and charges a 10 percent fiscal sponsor fee for its services per the fiscal sponsorship agreement that is between the fiscal sponsor and the sponsored program or project. In this example, the indirect costs include the 10 percent fiscal sponsor fee, and an additional 20 percent to support the indirect costs of the sponsored program or project. Here again, consultants/contractors costs are less than one-third of the sum of personnel, other direct costs, and consultants/contractors. If they were greater than one-third, the indirect costs permitted on that line item would be limited to 5 percent as shown in example B.

Project Budget		
Budget Category	Budget Amount	
Total Personnel	222,750	A
Total Other Direct Costs	55,000	B
Consultants/Contractors	75,000	C
Total Direct Costs (A+B+C=D)	352,750	D
Fiscal Sponsor Fee (D*.10)	35,275	
Indirect Costs ((A+B+C)*.20)	70,550	
Total Indirect Costs	105,825	

Total Project Budget	458,575	

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1. Includes universities, colleges, or schools and hospital and health systems that are either tax-exempt under Section 501(c)(3) of the IRS Code or a government agency.
 2. Includes nonprofit organizations that are tax-exempt under Section 501(c)(3) except universities, colleges, or schools and hospital or health systems (see footnote ¹). Private foundations, international-based nonprofit organizations and tribal entities (government and other) are eligible for the 30% rate. See FAQ #3 for special guidance for fiscal sponsors.
 3. Except universities, colleges, or schools and hospital and health systems that are eligible for an indirect cost rate of up to 15 percent, and tribal entities (government and other) that are eligible for an indirect cost rate of up to 30 percent. If your government entity is facing a barrier to applying for an RWJF award because your costs will not be covered under this policy, please contact your program officer or program financial analyst prior to applying.
 4. This aspect of the policy does not apply to grants that have a re-granting component. Re-granting occurs when an organization awards and manages the administration of grants to support charitable activities carried out by public charities that are tax-exempt under Section 501(c)(3) of the Code; and for which the applicant organization exercises discretion and control over the competitive selection process, payment of grant funds, and oversight of the re-grantee. In these cases, the re-granting budget is considered a direct cost and is eligible for the indirect cost rate applicable for the grantee organization type. This is in recognition of the extra administrative burden of re-granting programs. Alternatively, sub-grants are one or a few awards made by the primary grantee to support aspects of the project or program that do not involve a substantive

competitive solicitation process or extensive oversight. Sub-grants should be included under the consultants/contractors budget category.

5. RWJF has a longstanding practice of allowing the inclusion of project space as part of the direct costs of a grant.



Contact Us

FAQs for Applicants and Grantees

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